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Problems and Future of Medium Size Sawmills Assessed

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It is the purpose of this paper to ascertain the validity of both the optimists' hopes and the pessimists' declarations of doom as they pertain to a particular segment of the lumber industry. This segment represents the "frustrated middle child" of the industry. If consists of those green Douglas-fir mills with production capacities between 40,000 and 60,000 board feet per eight-hour shift. Most such mills could now compare themselves to the teenager who is too big for the little kids and too small for the company of adults.

First, however, let us consider the adequacy of the supply of standing timber, the lumber industry's most important problem. Over 300 years ago, the American was concerned about his supply of wood. But then he had too many trees, a timber supply far in excess of his needs. He had to have cleared fields for his crops and the forests stood in his way. Today, the thinking American still is concerned about his wood supply, but this time it is not a mattter of too many trees. The question is how much lumber, pulpwood, and other usable products are in the forests? Is there enough now, and is enough growing to provide for the future?

To read statistics on the volume of wood being removed from forests, without considering new growth, and from this to conclude that the wood supply is reaching an end, is unrealistic. It is just as illogical to read the obituary column in a newspaper while ignoring the birth column, and thereby conclude that man is becoming extinct. Although the forest areas of the United States have never been surveyed in their entirety, four national appraisals of the total wood resources have been published by the Federal government. The first detailed estimate of America's forest resources was for the period 1909-18. A more accurate appraisal was completed in 1929. Although both of these were general estimates, they represented conscientious efforts to measure the wood supply from all facts available. The first scientific approach, using actual field sampling, to determine the status of forest resources was the nationwide forest survey begun in the early 1930s. From this incomplete survey came the 1936 report, the most accurate forest inventory to that date. Finally, the U.S. Forest Service 1944 reappraisal provides the most recent and complete source of information on the nation's forests.

All four of these Federal reports indicate that annual

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I.C.C. Commissioner Discusses Causes of Car Shortage*

By ANTHONY F. ARPAIA

Member, Interstate Commerce Commission

There are several factors which have affected the traffic pattern on the West Coast which are making it difficult for railroads to meet shipping demands at all seasons of the year. Some of them are of a general nature and others more special or temporary.

You people who live in this territory well know how the economy of this area has changed since the start of World War II. What was primarily a consuming territory has developed into an important producing area, making a larger demand on freight cars for loading of many industrial products in addition to the increased shipments of lumber, grain, etc.

There has also been a marked change in the flow of traffic to the West Coast since the close of the Korean incident. Tremendous movements of war material and supplies were made to West Coast ports during the war and the Korean incident and for sometime thereafter. During that period, a great many cars arrived on the West Coast which were available for loading to the East. This type of freight traffic has now been reduced to a comparative trickle.

There has been a further development which has increased the task of maintaining an adequate supply of cars in the Pacific Northwest. This change occurred with the shift of lumber production from the state of Washington, which is served by four major railroads, to the state of Oregon, where the service is limited chiefly to the Southern Pacific. When several railroads were serving the concentrated lumber centers in the state of Washington, more cars were available for loading. Furthermore, the expansion of population and industry in California and Arizona has reduced the number of empty cars supplied from that area. Today there is a smaller surplus of these empties in California and Arizona for transfer to the Pacific Northwest.

It must be obvious that, because of these factors and others, what used to be a supply area for empty cars has become a demand area. This requires empty cars to be shifted to the West to meet the requirements of the peak season for the movement of the lumber, grain, fruits and vegetables, canned goods, etc.

To further aggravate the situation, there is today an increased demand for transportation throughout the entire country. Normally, the gap has been filled through the

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* This is a talk given at a meeting of persons concerned with the current car shortage, held on the University of Oregon campus on June 10, 1955.

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Bureau of Business Research, School of Business Administration
University of Oregon

WESLEY C. BALLAINE, Editor

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I.C.C. Commissioner Discusses Causes of Car Shortage

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slackening in industrial production along about June, which permitted extra cars to be diverted to the West. For example, the usual drop in automobile production alone, beginning about the latter part of May, made available many cars which had been used in both inbound and outbound movements to the automobile plants. This year there is as yet no such prospect. Even the most optimistic of our economic experts failed to predict the continuing demands which have raised levels of production to new high records in practically every field.

Add to this the virtual cessation of trucking operations throughout the eleven western states, which has curtailed transport facilities and thrown an extra burden on the rails, and you have a fair picture of what has happened to contribute to the present critical shortage here. Some hundreds of rail cars cannot be unloaded because of inability to give truck delivery. LCL cars are tied up.

I know that the lumber interests represented here are deligthed that housing construction has remained high. This has been contrary to a great many prognostications, perhaps beyond anybody's fondest expectations. Such pleasure as you have derived from this abnormal demand undoubtedly is accompanied by some pain—and the pain consists of a shortage of cars to handle the increase in lumber demand.

You, as shippers, are interested in meeting the market and satisfying your customers. The railroads are in the business of getting all the transportation they can. It is elementary that, all things being equal, the railroads would not want to deprive you of cars if they were available. Now that we have a shortage, the most equitable arrangement is to assign such cars as are available to shippers on a proportionate basis. Director Taylor assures me that this is being done and that it is being done in a spirit of cooperation on a voluntary basis by the Southern Pacific Railroad. Mr. Taylor has been furnished with a copy of the instructions to the Southern Pacific operating people to allot a quota of 80 per cent of the number of plain box cars based on loadings between May 1 to 10, inclusive, over the entire system, so that no division is favored over another division regardless of where located on the Southern Pacific. This directive was dated May 24, 1955.

As you all know, Commissioner Owen Clarke, who is vitally interested in this area because he comes from the Pacific Northwest, is in charge of service for the I.C.C. He and Director Charles Taylor, of our Bureau of Safety and Service, have recently assigned Noel C. Cavender, service agent, to our San Francisco office. Mr. Cavender is thoroughly familiar with the Southern Pacific's operation as well as with the lumber industry in Oregon, and is making a daily check to see that the available supply of freight cars on the Southern Pacific System is distributed equitably to all divisions on that system. After the proper proportion of cars is assigned to the Portland Division, Charles Heltzel, chairman of the Oregon Public Utilities Commission, and his highly competent staff, together with Mr. Paul Grider, service agent of I.C.C., take over and make sure that the distribution to shippers on the Portland Division is made on an equitable basis.

There is a general shortage of freight cars in this country. About a year ago there was a slump in our economy. At that time dire predictions were being made as to the possibility of this being the beginning of a serious recession. As a matter of fact, in 1954 there was a decrease in carloadings of 11.6 per cent under 1953, or four and a half million carloads. In fact, the carloadings for the year 1954 were lower than in any other year since 1938. For the year as a whole, net railway income showed a decline of 21.2 per cent under 1953. Under such circumstances many railroads were severely pinched for revenues to meet ordinary operating expenses.

Maintenance shops in many instances had to be shut down completely. As a result bad-order cars accumulated. On January 1, 1955 the number of bad-order freight cars had grown to 116,200. These cars are now being repaired and placed in service as fast as possible. Maintenance shops are being put on full schedule, and on May 1, 1955 the total number of cars out of service had been reduced to 113,543. This is too little and too late to remedy the present car shortage. Incidentally, I should point out that the percentage of bad-order cars of the Southern Pacific as of May 1, 1955 was 2.3 per cent compared with the national average of 6.6 per cent.

The Interstate Commerce Commission, through Commissioner Clarke and Director Taylor, have been constantly conferring with the railroads and have received commitments from the railroads that cars will be restored to service without delay. I feel confident that real progress will be made in the reduction of bad-order cars. However, more important for the future is the fact that Commissioner Clarke has been in consultation with the Board of Directors of the A.A.R. on the subject of the total adequacy of the freight-car fleet. As a result, a meeting of all railroad presidents is scheduled in Chicago on June 24, at which time it is hoped that all of the large railroads in this country will embark on a program of adding freight cars to their ownership.

The Southern Pacific has a good record of new car ownership. It has taken delivery of new freight cars every single calendar day since 1949. It purchased 27,084 new freight cars during this period, when many railroads were not building or acquiring new cars. Its ownership of freight equipment has increased 12,964 units since January 1, 1949. I don't think any other railroad in the United States has surpassed this record in proportion to its volume.

Although the situation is fluid and changing from day to day, it is noteworthy that the Southern Pacific had 111 per cent of car ownership of cars of all kinds on line as of May 1. In view of the conditions which I have described, which have curtailed empty car supply throughout the country, it represents better than the average record. If we were going

to make comparisons, the eastern shippers and railroads might have good cause to complain that the western railroads, particularly the Southern Pacific, have had a higher proportion of car ownership on their lines than most other large railroads in the United States. I might also point out that 111 per cent of car ownership in the light of the increase in the ownership of cars by the Southern Pacific is equivalent to about 130 per cent of its car ownership in 1949.

The rail carriers in the Pacific Northwest territory have expended large amounts of money during the past several years for Diesel locomotives, centralized traffic control, and other improvements; also numerous line changes have been made in order to reduce grades and curves—all of which contribute to a reduction in transit time, thereby reducing turn-around time and make for more dependable schedules.

I have presented these facts not by way of excuse, but by way of explanation. Perhaps you know them as well as we do.

We must recognize that, in the present situation, other factors aggravate the problem. Some shippers, through their desire to meet their own requirements without regard to its effect on car utilization, have practiced wasteful transportation. I am sure you all know what I mean. In time of a national shortage of this kind, shippers should forebear from using cars as a temporary warehousing media, by taking advantage of circuitous routing and slow schedules. Certain shippers are getting more than their quota of cars by abuse of the partial loading and unloading rules. To meet this situation, Division 3 has been compelled to issue Service Order No. 903, which became effective June 6. This order requires not less than 50 per cent loading of the marked capacity of the car at the first loading point.

Another factor contributing to the shortage of box-car equipment is the inadequate storage and handling facilities for grain. Box cars are being held and used for temporary storage. With the advent of the combine, there has been faster movement of grain from the farm to country elevators. The grain then moves from country elevators to box cars, after which it should move to terminal elevators and other storage locations. But the capacity and handling facilities of the terminal elevators have not kept pace with the speed up of grain movements. At the present time grain is being shipped from country storage in order to make room for the new crop. It is being moved to the Pacific Northwest ports faster than it can be unloaded into elevators or other storage facilities. As of June 1 there were approximately 4,000 cars of grain under load in this territory at ports and at interior points.

In the light of the available car supply, the continuance of this backlog would be a shameful waste of transportation. But it involves problems beyond the power of the I.C.C. to solve. It is up to the Commodity Credit Corporation and the grain buyers to work together to find a solution. I am glad to report that, on Monday of this week, the C.C.C., at the request of the I.C.C., has stopped the issuance of any further loading permits until June 13, at which time the situation will be resurveyed.

The Oregon Public Utilities Commission has done a splendid job in revising and reissuing car distribution rules. There is an awareness on the part of all parties concerned of the nature of the problem and the difficulties which must be met. The solution cannot be immediate or complete at this time. The best that can be done is to encourage the spirit of cooperation between shippers, railroads, and the regulatory agencies. It requires a hard-headed, practical approach by everyone.

I am glad this meeting has been held. It will enable each of you to better understand the mutuality of the problem. Unfortunately, there is no magic which will produce freight cars overnight. Perhaps you will have some further ideas to contribute. Suggestions are constantly being received by our Bureau of Service and are given careful consideration. Until bad-order cars are repaired and placed in sevice and new cars are built, our immediate objective will be to divert empty freight cars to shortage areas and to insure the equitable distribution and full utilization of each and every car in service, wherever it may be. Wasteful practices are never to be condoned; but, particularly at this time, all of us should direct our efforts to the elimination of any carrier or shipper practices which in any way reduce the total efficiency of our transportation system.

Problems and Future of Medium Size Sawmills Assessed

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forest growth has been increasing steadily since the turn of the century. The following table shows that today the gap between timber growth and consumption is narrowing:

	New Annual Growth (board feet)	*Removal* (board feet)
1918	9,672,000,000	56,130,000,000
1929	11,731,000,000	59,433,000,000
1936	32,033,000,000	47,808,000,000
1944	35,301,000,000	53,893,000,000

With such studies undermining the early predictions of a timber famine, perhaps the pessimists' concern for future timber supply is unwarranted.

A brief review of forest ownership is pertinent at this point, especially as it affects the mills with which this study is concerned. About three-fourths, or 461 million acres, of America's forests are capable of producing timber for commercial use. The remaining 163 million acres of forest are reserved for noncommercial purposes, are inaccessible, or do not produce commercial-quality timber. It is estimated that the 461 million acres of productive timber lands now contain 1,601 billion board feet in sawtimber-size trees. Of the total sawtimber, 43 per cent, or 687 billion board feet, is owned by Federal, state, and local governments. The balance, 914 billion board feet of sawtimber, is privately owned. Farmers hold title to 244 billion board feet, industrial firms own most of the remaining 670 billion board feet.

Of the total acreage, 25 per cent, or 116 million acres, is publicly owned. These forests provide about 10 per cent of the nation's wood products. Of our commercial forest lands, 345 million acres are in private ownership. Of this, 76 per cent is in farms and other small owenerships with an average size of about 62 acres. Of the balance, 400 large owners own 15 per cent and 3,200 medium-size owners hold 9 per cent.

Privately-owned forests currently supply nine-tenths of the domestic wood supply.

The problems of an adequate timber supply are almost equaled by those of labor. An analysis of the industry cost for 1952 made by the West Coast Lumbermen's Association shows labor as taking 50.3 cents of the average lumber manufacturer's cost dollar. Two other important cost items were supplies and expenses 29.4 cents stumpage 11.6 cents of each dollar.

That average earnings of workers in the industry have much more than kept pace with the rising cost of living as evident from the fact that the U.S. Bureau of Labor Statistics cost-of-living index (1935-1939=100) rose from 97.6 in 1932 to 171.2 in 1948 (and to about 175 in 1950), whereas the index of weekly earnings in the lumber industry rose from 65.1 in 1932 to 265.5 in 1948 (and to almost 300 in 1950). This is more than a four-fold increase in earnings with a two-fold increase in living cost.

Every business has its special problems and the lumber business has its full share. No other major business is as sensitive as is the lumber industry to the economic cycle. Especially is this true when the cycle is on the downswing, when average losses in the lumber industry have usually been more, or average profits less, than the average of all industries.

Lumber and lumber products must compete with a wide range of alternative and competitive products. When the economic cycle is at or near the bottom, the problem of substitutes becomes exceedingly acute. At such times, too, the lumber industry experiences a large surplus of productive capacity, each unit of which tries to stay in operation rather than suffer the larger losses resulting from closure. This means intense competition among a large number of mills for a diminishing lumber market.

Forest fires are still a problem, although much progress has been made in recent years in prevention and control. Insect infestations cause greater total loss than do forest fires; but, here again, control measures are being rapidly advanced. No insurance coverage of these hazards is generally available. Fire-insurance rates on sawmills and lumber yards are relatively high as compared with other plants and business establishments.

Under the general property tax the timber resource is often overassessed relative to the value of other property on the assessment rolls. Forest property is unusually exposed to trespass or misuse by destructive or careless people. Oftentimes, a mill may have to shut down because of a lack of logs due to seasonal changes in weather; in winter, because of snow or rain and, in summer, because the fire hazard may be too great in the tinder-dry woods.

And yet the lumber industry continues year after year to produce lumber and lumber products in ample amounts to satisfy the demand of consumers, despite these many problems.

A recent study by the Stanford Research Institute indicates that there will be an increasing demand for lumber in the future. The history of the lumber industry gives the likely answer that this demand will be met. However, the question that is yet to be answered is whether or not most mills will find it profitable to help satisfy this demand.

According to the Stanford Institute report, the costs of production will probably continue to increase. Among the reasons given for the continuing increase in the costs of producing lumber and sawlogs in the United States are:

(1) Costs of stumpage are likely to keep increasing as the supply of available and readily accessible timber is reduced.

(2) Logging costs are likely to rise as logging activity continues to shift to relatively remote areas or regions with rugged terrain, involving more difficult operations and higher log-transportation cost.

(3) Manufacturing costs will probably be increased by declining size of logs.

(4) Distribution costs, which represent about two-thirds of the cost of lumber to the consumer, will probably also increase. Transportation is a large part of this cost.

The average operator of a 40,000 capacity mill today must face these predictions of increased costs and find a satisfactory answer for the problems presented, or he will find that both internal and external competition have answered them for him. What are his possibilities to continue to be competitive?

Integration of manufacturing operations is one answer. Logs may be made into lumber, wood pulp, or plywood. Some grades of lumber may be processed into flooring or small-dimension materials. Other grades may be refined by removal of defect and utilized in boxes, small wood products, or laminations. Smaller sizes may be used for shop lumber or for toy or novelty manufacture. Edgings and slabs may go into ground wood for molded or pressed products such as fibreboard, or may be chipped for the manufacture of paper pulp. It is this last possibility, "chips," that appears to hold the brightest future for the mills in question.

Pulp mills are casting around now for new sources of wood supply because they are experiencing enormously increased demands for paper products. In the past twelve months eleven chipping plants have been installed in as many sawmills in Oregon alone. The pulp companies will buy the chipping plants outright for the sawmills, then lease or sell them to the mill, and let the chips pay the cost. Or they will help the mill finance the chippers, which may cost from $15,000 to $75,000, depending upon size and in how much of a conveyor system is needed to haul chips from knives to open-top box cars.

The shift to chips is hailed by many a forest-products leader as one of the significant milestones in the forest industry's struggle toward an ever higher level of utilization. This is conservation with a purpose, they point out. At least 400 million board feet a year is already chalked up as the "stretch" given the old-growth timber supply by recent progress in conversion of waste into chips. Translated another way, it means a saving of standing old-growth timber on 8,000 acres of land every year.

Two hundred miles is the longest railroad haul recommended for chips, although one pulp mill in California is hauling 350 miles. The economics of freight charges are actually the final control. Rates vary from $1.80 a unit for a short haul of fifteen miles to a high of $4.00 and more a unit for hauls of 150 miles and more. The sawmill close to a pulp mill will get the best price. The average rate paid for fir chips is about $6.00.

Lining up chip supply points and sites for chipper plants is not all "milk and honey." Problems of long-term supply and sufficient volume to warrant the costly chipper operation are two prime considerations. The rule of thumb is

that a mill should make a carload of 20 units a shift to warrant installation of a unit. The mill should also have an operating life expectancy of at least five years and preferably ten, although some contracts have been made between sawmill and pulp company for two-year periods.

Because there are no reliable data available to ascertain how economical the chip business would be for a smaller mill, it is only possible to "guess estimate." However, the development of waste woods into chips has completely changed the wood-utilization picture in many a Northwest sawmill. Ralph G. DeMoisy, director of the Washington Institute of Forest Products, tells the story when he says, "We estimate now that a re-inventory in 1952 of sawmill wastes would show less than 50 per cent of the solid residuals at mills that we found in our 1948-49 survey. That means a reduction of 10 million cubic feet annually of material formerly considered a nuisance, but now being utilized for the manufacture of consumer goods. By 'solids' we mean slabs, edgings, and trim—not sawdust, shavings, or hog fuel."

Chips may be part of the answer, but it is not all. Improvements in mechanical equipment can help. The use of gang saws for small logs is on the increase, and "overrun" is as high as 30 per cent over the conventional circular-type saws. Modern logging equipment reduces damage to logs and young growth, and permits prelogging and relogging of stands. New methods of removing bark reduce waste in sawing lumber and in utilization of pulp.

Better selling techniques and practices may help. In spite of the standardization of lumber products, it is still possible to differentiate between Mill A's 2x6 No. 1 and Mill B's 2x6 No. 1. The alert operator will advertise his product by such means as his mill stamp, and "cultivate" those customers who are looking for quality in their goods. Not only will the operator concern himself about "repeat" business, but he will support his trade associations in their campaigns to create greater demand for lumber products. The efforts of the associations to sell not only "utility" but "beauty" have been tremendous in recent years. It is impossible to put dollar value on these efforts, but the response from consumers for literature indicates a real interest in lumber uses. There were over 30,000 inquiries about a recent West Coast Lumbermen's ad in a national magazine.

However, the crux of the 40,000 capacity mill operator's future is the cost and supply of stumpage. His big and tough problem may be summarized:

(1) Stumpage is generally available in quantities so large that he lacks capital to purchase it regardless of the price per thousand feet.

(2) Smaller available timber stands are scattered, and the costs of logging and hauling add to the purchase price in almost geometric proportions.

(3) Poor quality of timber stands causes manufacturing costs to rise prohibitively.

The history of the average small operator would show a rugged individualism that has precluded much help from outside. This is especially true with finances. Only short-term obligations have been incurred, and a "cash" business has been the mark of a successful lumber operator. For most operators today anew concept of financing must be developed. Either the money of other people, whether private lenders or banks, must be used, or the large firms will purchase the economical stands of timber, and leave marginal holdings to be bought by the small operator in $5,000 or $10,000 lots.

If the mill operator today has any single lesson to be learned from past experiences, it should be the lesson of good forest management. The future success of his investment will depend upon his participation and cooperation in such a program. Good forest management requires the protection of forest from fire, insects, disease, and destructive gazing. It demands types of harvest cuttings which will keep the land growing with repeated forest crops of the better species. It means planned cuts at regular intervals from every acre of forest land. This type of forest management has been increasingly adopted since the turn of the century. It has now spread to privately oned systems operating between 80 and 100 million acres of forest land. All told, from 35 to 40 per cent of the commercial forest land in the United States is under management practices which procide for the continuous growth of commercial forest crops.

These well-managed properties are models for America's more than 4 million owners of small woodlands. The accomplishments of industry and government in forest management—as well as those of many small owners operating more than two-thirds of the nation's certified tree farms—are example and incentive to all owners of timberlands.

The future of our mill operator is not an impossible problem. An expanding national economy, a growing demand for lumber, and an intelligent program for reforestation, offer him opportunities. But the day has passed when nature alone can subsidize a marginal mill.

CURRENT BUSINESS TRENDS IN OREGON

Department-Store Sales. The only retail-sales indicator for Oregon is the sales of department stores in the Portland area, which are compiled by the Federal Reserve Bank of San Francisco. The percentage changes in dollar sales volume for May 1955, as compared to May 1954, and for the calendar year through May 1955, as compared to the same 1954 period, for Portland and other Pacific Coast cities are shown below:

	4 Weeks Ending May 28, 1955	*Calendar Year to May 28, 1955*
Portland	+ 5	+ 4
Los Angeles	+ 6	+ 7
San Francisco-Oakland	+ 3	+ 5
Seattle	0	+ 6
United States	+10	+ 7

Lumber. The production and orders of lumber in the Douglas-fir area of the Pacific Northwest during May 1955 were lower than in April, the greatest drop being in orders. Both categories were substantially lower than in May 1954. Figures supplied by the West Coast Lumbermen's Association follow (all figures in thousands of feet, board measure):

	May 1955	*Apr. 1955*	*May 1954*
Average weekly production	189,805	191,233	206,289
Average weekly orders	187,753	228,125	226,457
Unfilled orders, end of month	855,230	874,393	874,470
Lumber inventory, end of month	961,078	971,210	984,145

Multnomah County Real-Estate Transactions. During May 1955 there were 1,142 real-estate sales, amounting to $11,491,339 in Multnomah County. Of these, 799 involved residences, the sales price of which was $7,885,592; 282 were vacant properties, $789,153; and 61 were business properties, $2,816,594. Additional figures are:

	May 1955	*Apr. 1955*	*May 1954*
Number of sales	1,142	1,215	1,064
Value of sales	$11,491,339	$9,473,409	$8,304,617
Number of mortgages	1,187	1,091	1,088
Amount loaned	$10,594,976	$9,934,369	$10,375,741
Number of sheriff's deeds	1	3	.....
Amount of sheriff's deeds	$851	$30,853	.....
Average residential sales price	$9,869	$ 9,209	$9,025

CURRENT BUSINESS TRENDS IN OREGON

Employment. The number of nonagricultural workers employed in Oregon increased 7.3 per cent (5,700) between mid-April and mid-May 1954. The largest gains were in food and kindred products (1,600) and contract construction (3,200). Most categories showed increases, and there were no substantial decreases. The overall increase between mid-May 1955 and mid-May 1954 was 2.6 per cent, with the greatest increases in the categories above mentioned. More detailed information supplied by the Oregon State Unemployment Compensation Commission follows:

	May 1955	*Apr. 1955*	*May 1954*
Lumber & wood products	83,200	77,500	81,100
Food & kindred products	14,500	12,900	14,000
Other manufacturing	41,500	40,600	41,700
Total manufacturing	139,200	131,000	136,800
Contract construction	23,800	20,600	22,200
Retail trade	78,200	78,700	77,800
Government	74,400	75,000	72,000
Other nonmanufacturing	144,300	143,100	142,900
Total nonmanufacturing	320,700	317,400	314,900
Total nonagricultural employment	459,900	448,400	451,700

Index of Man Hours in Manufacturing. One of the best indicators showing changes in manufacturing activity is the man hours of industrial production workers. These figures apply only to personnel engaged in direct manufacturing activities; sales, office, and general administrative employees are excluded. The index is derived by the Bureau of Business Research from data supplied by the Oregon Unemployment Compensation Commission. The most recent reading covers the month of April 1955. (No adjustment for seasonal variations has been made. 1951=100.)

	1954	*1955*		*1954*	*1955*
Jan.	78.0	84.9	July	76.2	.....
Feb.	79.1	85.0	Aug.	88.5	.....
Mar.	82.8	84.4	Sept.	99.5	.....
Apr.	86.8	85.3	Oct.	99.1	.....
May	90.4	.....	Nov.	95.4	.....
June	92.2	.....	Dec.	90.4	.....

Business Failures. Dun and Bradstreet's series showing commercial failures is frequently considered an indicator of business health. Figures for Oregon are given below:

	1954		*1955*	
	Number	*Liabilities*	*Number*	*Liabilities*
Jan.	9	$ 249,000	8	$160,000
Feb.	14	986,000	2	76,000
Mar.	12	1,332,000	8	157,000
Apr.	8	168,000	13	259,000
May	12	652,000	14	368,000
June	14	316,000	.....	.....
July	12	392,000	.....	.....
Aug.	3	25,000	.....	.....
Sept.	5	113,000	.....	.....
Oct.	9	405,000	.....	.....
Nov.	2	38,000	.....	.....
Dec.	8	245,000	.....	.....

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BANK DEBITS

Bank debits represent the dollar value of checks drawn against the deposit accounts of individuals and business firms. Bank debits are regarded as good indicators of current business activity, although their value for this purpose may be impaired by the inclusion of large checks arising out of transfers of funds or the purchase of certain types of capital assets that do not constitute "business activity." The Bureau of Business Research collects bank debits from 149 banks and branches monthly.

Marketing Districts	*Number of Banks Reporting*	*Debits May 1955*	*Debits Apr. 1955*	*Debits May 1954*	*May 1955 Compared with Apr. 1955*	*May 1955 Compared with May 1954*
Oregon	120	$1,350,707,985	$1,381,054,194	$1,233,197,754	− 2.2	+ 9.5
Portland (Portland, Hillsboro, Oregon City, etc.)	32	858,992,792	872,765,269	787,258,441	− 1.5	+ 9.1
Lower Willamette Valley (Salem, McMinnville, etc.)	14	93,974,312	105,611,872	90,674,667	−11.02	+ 3.6
Upper Willamette Valley (Albany, Corvallis, Eugene, etc.)	18	141,163,356	137,101,138	119,234,771	+ 3.0	+18.4
North Oregon Coast (Astoria, Tillamook, etc.)	5	22,643,044	21,912,135	22,228,896	+ 3.3	+ 1.9
Douglas, Coos Bay	9	42,909,252	43,616,352	42,943,202	− 1.6	− .1
Southern Oregon (Ashland, Medford, Grants Pass)	6	53,169,208	56,990,250	49,294,441	− 6.7	+ 7.9
Upper Columbia River (The Dalles, Hood River, etc.)	7	26,191,841	26,254,819	21,385,772	− .2	+22.5
Pendleton area	6	21,283,841	22,858,676	20,401,472	− 6.89	+ 4.3
Central Oregon (Bend, Prineville, Redmond)	5	24,122,861	26,309,822	20,386,133	− 8.3	+18.3
Klamath Falls, Lakeview area	5	28,635,761	28,677,296	26,182,633	− .1	+ 9.4
Baker, La Grande area	7	21,856,547	21,468,878	19,211,363	+ 1.8	+13.8
Burns, Ontario, Nyssa	5	15,765,170	17,487,687	13,995,963	−10.0	+12.6

BUILDING PERMITS

Building permits give an indication of building operations planned rather than actual construction under way. Care must be taken in interpreting these data to allow for the lag which may elapse between the issuance of the permit and the beginning of actual construction. The data have been collected by the Bureau of Business Research.

	New Residential May 1955	*New Non-residential May 1955*	*Additions, Alterations & Repairs May 1955*	*Totals May 1955*	*Totals Apr. 1955*	*Totals May 1954*
Albany	$ 36,000	$ 133,500	$ 23,600	$ 193,100	$ 52,600	$ 89,800
Astoria	50,922	5,694	3,600	60,216	54,503	69,675
Baker	24,720	8,482	15,640	48,842	122,863	21,774
Bend	40,000	20,200	50,603	110,803	190,790	54,765
Coos Bay	100,000	45,000	4,775	149,775	122,935	341,530
Corvallis	166,500	3,350	21,400	191,250	150,410	119,750
Eugene	136,000	75,400	79,862	291,262	365,972	293,105
Forest Grove	38,000	.....	5,700	43,700	32,691	54,525
Grants Pass	199,585	38,940	6,120	244,645	94,125	132,190
Klamath Falls	171,500	3,000	40,011	214,511	223,160	86,184
La Grande	39,300	6,775	12,115	58,190	345,499	52,213
Medford	136,800	8,235	73,875	218,910	158,010	214,820
Milton-Freewater	7,000	.....	8,450	15,450	56,155	8,500
North Bend	90,700	.....	6,950	97,650	28,820	57,920
Oregon City	29,000	300	5,045	34,345	20,335	96,383
Pendleton	32,500	170,000	23,280	225,780	51,250	99,600
Portland	2,277,450	813,095	1,824,210	4,914,755	4,538,565	3,536,220
Roseburg	61,500	7,600	23,745	92,845	117,445	124,775
Salem	170,250	72,865	140,636	383,751	800,056	410,778
Springfield	197,450	.....	66,218	263,668	205,240	132,536
The Dalles	85,820	40	17,090	102,950	96,744	178,355
22 other communities	483,856	390,285	114,326	988,467	900,299	520,032
Totals	$4,574,853	$1,802,761	$2,567,251	$8,944,865	$8,728,467	$6,695,430